



BAVIAANS LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
Auditor General South Africa
Published 29 August 2014

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

GENERAL INFORMATION

Legal form of entity

The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.

Nature of business and principal activities

Baviaans Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) The municipality's operations are governed by:- Municipal Finance Management Act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations

Mayoral committee

Executive Mayor

Councillors

E L Looek

D Bezuidenhout

H Booysen

M Fivaz

G A Hobson

V Lapperts

T Spogter

Grading of local authority

Grade 1

Business address

42 Wehmeyer Street

Willowmore

6445

Bankers

ABSA Bank

Willowmore

Auditors

Auditor General South Africa

Principal Activities

The principal activities of the municipality are:

- Provide democratic and accountable government
- Ensure sustainable service delivery to the communities
- Promote social and economic development
- Provide basic services to the community

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) , to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 58, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed by him:


JZA Vumazonke
Municipal Manager

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

Figures in Rand	Notes	2014	2013
Assets			
Current Assets			
Inventories	2	62,103	48,234
Other receivables	3	405,499	337,500
VAT receivable	4	2,341,752	2,112,575
Trade receivables	5	1,405,213	766,754
Cash and cash equivalents	6	471,968	299,470
		4,686,535	3,564,533
Non-Current Assets			
Investment property	7	37,466,500	38,682,000
Property, plant and equipment	8	204,814,329	184,644,963
Intangible assets	9	4	4
Heritage assets	10	-	-
		242,280,833	223,326,967
Non-current assets held for sale	11	8,500	110,000
Non-Current Assets		242,280,833	223,326,967
Current Assets		4,686,535	3,564,533
Non-current assets held for sale (and) (assets of disposal groups)		8,500	110,000
Total Assets		246,975,868	227,001,500
Liabilities			
Current Liabilities			
Repayment - National Revenue Fund	12	4,500,000	-
Finance lease obligation	13	559,498	543,141
Trade and other payables	14	20,264,027	15,075,603
Consumer deposits	15	149,694	145,635
Unspent conditional grants and receipts	16	600,371	4,562,898
Provisions	17	563,696	578,040
		26,637,286	20,905,317
Non-Current Liabilities			
Repayment - National Revenue Fund	12	631,616	-
Finance lease obligation	13	685,711	959,693
Provisions	17	5,193,775	4,000,500
		6,511,102	4,960,193
Non-Current Liabilities		6,511,102	4,960,193
Current Liabilities		26,637,286	20,905,317
Liabilities of disposal groups		-	-
Total Liabilities		33,148,388	25,865,510
Assets		246,975,868	227,001,500
Liabilities		(33,148,388)	(25,865,510)
Net Assets		213,827,480	201,135,990
Accumulated surplus		213,827,480	201,135,990

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Notes	2014	2013
Revenue			
Property rates	18	3,429,311	3,081,737
Service charges	19	17,480,624	15,733,045
Fines	20	9,250	3,800
Government grants & subsidies	21	61,427,522	50,088,325
Income from agency services	20	764,352	648,264
Interest received	20	580,460	480,348
Licences and permits	20	624,582	-
Rental of facilities and equipment	20	46,126	115,974
Other income	20	334,445	442,999
Gains on disposal of assets	20	123,275	7,018
Public contributions and donations	20	12,424	113,292
Total revenue		84,832,371	70,714,802
Expenditure			
Personnel	22	(20,249,110)	(18,549,643)
Remuneration of councillors	23	(1,656,482)	(1,507,253)
Debt impairment	24	(1,744,240)	(1,371,162)
Depreciation and amortisation	25	(15,616,106)	(15,373,952)
Finance costs	26	(1,090,955)	(1,084,227)
Repairs and maintenance	27	(1,953,424)	(3,082,851)
Bulk purchases	28	(8,475,329)	(7,942,343)
Grants and subsidies paid	29	(5,385,989)	(5,629,261)
General Expenses	30	(14,762,243)	(11,720,893)
Impairment loss	31	(1,118,500)	(142,500)
Loss on disposal of assets	8	(88,500)	(4)
Total expenditure		(72,140,878)	(66,404,089)
Surplus before taxation		12,691,493	4,310,713
Taxation		-	-
Surplus for the year		12,691,493	4,310,713

Baviaans Local Municipality

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STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported at 01 July 2012		197,307,617	197,307,617
Adjustments			
Correction of errors	32	(482,336)	(482,336)
Balance at 01 July 2012 as restated		196,825,281	196,825,281
Changes in net assets			
Surplus for the year		4,310,709	4,310,709
Total changes		4,310,709	4,310,709
Balance at 01 July 2013		201,135,987	201,135,987
Changes in net assets			
Surplus for the year		12,691,493	12,691,493
Total changes		12,691,493	12,691,493
Balance at 30 June 2014		213,827,480	213,827,480

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

CASH FLOW STATEMENT

Figures in Rand	Notes	2014	2013
Cash flows from operating activities			
Receipts			
Rates and services		18,230,060	16,428,363
Government grants & subsidies		61,427,521	50,088,325
Interest income		580,460	480,348
Other receipts		1,791,180	1,324,325
		82,029,221	68,321,361
Payments			
Employee costs		(21,905,592)	(20,056,896)
Suppliers		(28,270,465)	(24,207,033)
Finance costs		(1,090,955)	(1,084,227)
		(51,267,012)	(45,348,156)
Total receipts		82,029,221	68,321,361
Total payments		(51,267,012)	(45,348,156)
Net cash flows from operating activities	33	30,762,209	22,973,205
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(36,053,702)	(22,921,741)
Proceeds from sale of property, plant and equipment	8	268,230	-
Purchase of investment property	7	-	(50,000)
Proceeds from sale of investment property	7	198,500	-
Proceeds from sale of other assets		123,275	7,018
Net cash flows from investing activities		(35,463,697)	(22,964,723)
Cash flows from financing activities			
Movement in repayment - national revenue fund		5,131,616	-
Finance lease payments		(257,630)	173,706
Net cash flows from financing activities		4,873,986	173,706
Net increase/(decrease) in cash and cash equivalents		172,498	182,188
Cash and cash equivalents at the beginning of the year		299,470	117,282
Cash and cash equivalents at the end of the year	6	471,968	299,470

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Property rates	3,737,378	-	3,737,378	3,429,311	(308,067)	
Service charges	18,145,722	(162,832)	17,982,890	17,480,624	(502,266)	
Fines	20,000	(5,000)	15,000	9,250	(5,750)	A
Transfers recognised - operating	23,329,573	222,078	23,551,651	23,353,779	(197,872)	B
Rental of facilities and equipment	120,000	(81,300)	38,700	46,126	7,426	
Interest received	230,000	189,000	419,000	580,460	161,460	
Income from agency services	2,996,380	(2,258,380)	738,000	764,352	26,352	
Licences and permits	100,000	485,010	585,010	624,582	39,572	C
Other income	3,818,800	(3,480,620)	338,180	334,445	(3,735)	
Public contributions and donations	-	-	-	12,424	12,424	
Gains on disposal of assets	-	-	-	123,275	123,275	
Total revenue	52,497,853	(5,092,044)	47,405,809	46,758,628	(647,181)	
'Total revenue	52,497,853	(5,092,044)	47,405,809	46,758,628	(647,181)	

Expenditure

Personnel	(19,732,410)	(806,855)	(20,539,265)	(20,249,110)	290,155	
Remuneration of councillors	(1,692,324)	-	(1,692,324)	(1,656,482)	35,842	
Debt impairment	-	-	-	(1,744,240)	(1,744,240)	D
Depreciation, amortisation and impairment	(8,000,000)	(7,600,000)	(15,600,000)	(16,734,606)	(1,134,606)	E
Finance costs	(195,000)	(868,000)	(1,063,000)	(1,090,955)	(27,955)	
Bulk purchases	(9,396,000)	149,585	(9,246,415)	(8,475,329)	771,086	
Grants and subsidies paid	(5,718,176)	(21,000)	(5,739,176)	(5,385,989)	353,187	
Loss on disposal of assets	-	-	-	(88,500)	(88,500)	F
General Expenses	(14,792,017)	281,644	(14,510,373)	(16,715,667)	(2,205,294)	G
Total expenditure	(59,525,927)	(8,864,626)	(68,390,553)	(72,140,878)	(3,750,325)	
	52,497,853	(5,092,044)	47,405,809	46,758,628	(647,181)	
	(59,525,927)	(8,864,626)	(68,390,553)	(72,140,878)	(3,750,325)	
Operating deficit	(7,028,074)	(13,956,670)	(20,984,744)	(25,382,250)	(4,397,506)	
Transfers recognised - capital	39,428,500	2,985,450	42,413,950	38,073,743	(4,340,207)	B
Deficit before taxation	32,400,426	(10,971,220)	21,429,206	12,691,493	(8,737,713)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	32,400,426	(10,971,220)	21,429,206	12,691,493	(8,737,713)	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	20,000	-	20,000	62,103	42,103	
Other receivables	148,000	1,092,000	1,240,000	405,499	(834,501)	
VAT receivable	-	-	-	2,341,752	2,341,752	
Consumer debtors	7,500,000	(4,034,650)	3,465,350	1,405,213	(2,060,137)	
Cash and cash equivalents	1,846,177	(1,846,177)	-	471,968	471,968	
	9,514,177	(4,788,827)	4,725,350	4,686,535	(38,815)	
Non-Current Assets						
Investment property	10,155	39,570,845	39,581,000	37,466,500	(2,114,500)	
Property, plant and equipment	76,823,802	135,453,247	212,277,049	204,814,329	(7,462,720)	
Intangible assets	466,343	(466,343)	-	4	4	
	77,300,300	174,557,749	251,858,049	242,280,833	(9,577,216)	
Non-current assets held for sale and assets of disposal groups	-	-	-	8,500	8,500	
Non-Current Assets	9,514,177	(4,788,827)	4,725,350	4,686,535	(38,815)	
Current Assets	77,300,300	174,557,749	251,858,049	242,280,833	(9,577,216)	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	8,500	8,500	
Total Assets	86,814,477	169,768,922	256,583,399	246,975,868	(9,607,531)	
Liabilities						
Current Liabilities						
Repayment - National Revenue Fund	-	-	-	4,500,000	4,500,000	H
Finance lease obligation	310,000	440,000	750,000	559,498	(190,502)	
Trade and other payables	7,000,000	6,000,000	13,000,000	20,264,027	7,264,027	I
Consumer deposits	145,000	-	145,000	149,694	4,694	
Unspent conditional grants and receipts	-	-	-	600,371	600,371	
Provisions	1,290,000	-	1,290,000	563,696	(726,304)	J
Bank overdraft	-	5,113,803	5,113,803	-	(5,113,803)	
	8,745,000	11,553,803	20,298,803	26,637,286	6,338,483	
Non-Current Liabilities						
Repayment - National Revenue Fund	-	-	-	631,616	631,616	
Finance lease obligation	-	1,660,000	1,660,000	685,711	(974,289)	
Provisions	4,125,000	-	4,125,000	5,193,775	1,068,775	J
	4,125,000	1,660,000	5,785,000	6,511,102	726,102	
	8,745,000	11,553,803	20,298,803	26,637,286	6,338,483	
	4,125,000	1,660,000	5,785,000	6,511,102	726,102	
	-	-	-	-	-	
Total Liabilities	12,870,000	13,213,803	26,083,803	33,148,388	7,064,585	
Assets	86,814,477	169,768,922	256,583,399	246,975,868	(9,607,531)	

Baviaans Local Municipality

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Liabilities	(12,870,000)	(13,213,803)	(26,083,803)	(33,148,388)	(7,064,585)	
Net Assets	73,944,477	156,555,119	230,499,596	213,827,480	(16,672,116)	
Net Assets						
Reserves						
Accumulated surplus	73,944,477	156,555,119	230,499,596	213,827,480	(16,672,116)	

A. Fines

The function is performed by the Department of Transport. The municipality does not have any control.

B. Government grants and subsidies received

A grant from the Department of Human Settlements of R3,100,000 for the Construction of Down housing was budgeted for but did not materialise due to a delay in the authorisation for the project. An additional amount of R2,000,000 was received from National Treasury in respect of the Municipal Infrastructure Grant for good performance that was not budgeted for. An amount of R12,000,000 was gazetted in the DORA for the Regional Bulk Infrastructure Grant and this amount was budgeted for. Subsequently it was discovered that the full amount would not be received because of the difference in the financial years of the Department of Water Affairs and the Municipality. This resulted in an amount of R6,600,000 not being received in this financial year.

C. Licences and permits

The function of issuing drivers and learners license is a new function which started during the 2013/14 financial year. The income realised from this function was more than anticipated..

D. Debt impairment

The budget was based on a 100% collection rate which did not materialise.

E. Depreciation and amortisation

The new valuation rolls effective 1/7/2014 indicated an impairment on a number of investment properties which was not anticipated.

F. Loss on disposal

Land was sold at less than market value.

G. General expenses

The overexpenditure on general expenses mainly relates to the Auditor General's fees. The budget was based on 1% of expenditure as prescribed whilst the total audit fees amounted to R2,400,000.

H. Repayment - National Revenue Fund

The municipality applied for a roll over of unspent conditional grants during the 2012/2013 financial year. The application was denied and the municipality is required to repay an amount of R5,131,616 to the National Revenue Fund. The municipality has requested that National Treasury reconsider the outcome.

I. Trade and other payables

The municipality experienced severe cash flow constraints which resulted in creditors not being paid within the required 30 days. The situation was reported to both Provincial and National Treasury.

J. Provisions

The actuarial valuation on the post employment medical aid benefit indicated a sharp increase of R1,000,000 in the provision which was not budgeted for.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, rounded to R1.

1.2 Going concern

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 32 to the financial statements.

1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

ACCOUNTING POLICIES

1.6 Significant judgements and sources of estimation uncertainty (continued)

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.6 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.7 Investment property

Initial recognition and measurement

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, to meet service delivery objectives, for administrative purposes or sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Cost model

Subsequent to initial recognition investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Buildings	30 years

Land is not depreciated as it is considered to have an indefinite useful life.

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Baviaans Local Municipality

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ACCOUNTING POLICIES

1.7 Investment property (continued)

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

1.8 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.8 Property, plant and equipment (continued)

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Infrastructure	
• Roads and paving	10-30 years
• Water	15-20 years
• Pedestrian malls	20 years
• Electricity	20-30 years
• Sewerage	15-20 years
• Gas	20 years
• Airports	20 years
• Security	3-5 years
Community	
• Buildings	30 years
• Recreational equipment	20 years
Other	
• Buildings	30 years
• Office equipment	3-7 years
• Furniture and fittings	7-10 years
• Bins and containers	5-10 years
• Emergency equipment - fire hoses and emergency lights	5 years
• Emergency equipment - other firefighting equipment	15 years
• Motor vehicles - motor cycles	3 years
• Motor vehicles - fire engines	20 years
• Motor vehicles - other	5-10 years
• Plant and equipment - farming and construction	10-15 years
• Plant and equipment - Specialised equipment	5 years
• Plant and equipment - lawn mowers	2 years
• Other	15 years

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Baviaans Local Municipality

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ACCOUNTING POLICIES

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before it is capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale
- it is technically feasible to complete the intangible asset
- the entity has the resources to complete the project
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

ACCOUNTING POLICIES

1.9 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

c) Financial instruments at cost

Investments in residual interest, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Policies relating to specific financial instruments

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

1.11 Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

ACCOUNTING POLICIES

1.11 Leases (continued)**Operating leases - lessor**

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories**Initial recognition and measurement**

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ACCOUNTING POLICIES

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post retirement medical obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

ACCOUNTING POLICIES

1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

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ACCOUNTING POLICIES

1.15 Revenue from exchange transactions (continued)

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

Revenue from non-exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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ACCOUNTING POLICIES

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury.

1.23 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.24 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

1.25 Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.26 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27. New standards and interpretations

1.27.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014

1.27.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant effect
GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No significant effect
GRAP 107: Mergers	01 April 2014	No significant effect

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

Possible impact of initial application of standards of GRAP approved but not yet effective

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
2. Inventories		
Water	62,103	48,234
3. Other receivables		
Sundry debtor	2,000	-
Payment suspense	2,825	-
Prepayments	400,674	337,500
	405,499	337,500
4. VAT receivable		
VAT	2,341,752	2,112,575
The municipality is registered for VAT on the payment basis.		
5. Trade receivables		
Gross balances		
Rates	1,648,267	1,324,004
Electricity	340,846	359,101
Water	1,626,736	1,606,914
Waste water	130,598	144,004
Sewerage	717,760	612,770
Refuse	916,099	847,527
Other	136,286	(156,614)
Payments received in advance	(89,515)	(46,779)
	5,427,077	4,690,927
Debtors with credit balances	130,211	110,477
Less: Provision for debt impairment	(4,152,075)	(4,034,650)
	(4,021,864)	(3,924,173)
Net balance	1,405,213	766,754
Rates		
Current (0 -30 days)	67,289	49,148
31 - 60 days	28,681	19,422
61 - 90 days	24,236	19,165
91 - 120 days	22,307	17,403
121 - 365 days	1,505,754	1,218,866
	1,648,267	1,324,004
Electricity		
Current (0 -30 days)	162,487	162,486
31 - 60 days	47,668	22,324
61 - 90 days	6,051	16,097
91 - 120 days	5,016	3,162
121 - 365 days	119,624	155,032
	340,846	359,101

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
5. Trade receivables (continued)		
Water		
Current (0 -30 days)	93,521	64,135
31 - 60 days	110,563	64,399
61 - 90 days	71,755	74,793
91 - 120 days	105,480	52,698
121 - 365 days	1,245,417	1,350,889
	1,626,736	1,606,914
Waste water		
Current (0 -30 days)	23,027	23,883
31 - 60 days	8,024	7,832
61 - 90 days	1,058	750
91 - 120 days	536	291
121 - 365 days	97,953	111,248
	130,598	144,004
Sewerage		
Current (0 -30 days)	38,653	33,119
31 - 60 days	25,974	20,695
61 - 90 days	23,544	23,868
91 - 120 days	22,675	18,816
121 - 365 days	606,914	516,272
	717,760	612,770
Refuse		
Current (0 -30 days)	74,281	67,328
31 - 60 days	34,633	25,390
61 - 90 days	27,800	21,080
91 - 120 days	26,641	19,415
121 - 365 days	752,744	714,314
	916,099	847,527
Debtors with credit balances	130,211	110,477
Provision for debt impairment	(4,152,075)	(4,034,650)
	(4,021,864)	(3,924,173)
Payments received in advance		
Current (0 -30 days)	(89,515)	(46,779)
Other		
Current (0 -30 days)	10,772	38,383
31 - 60 days	2,238	21,084
61 - 90 days	2,257	24,965
91 - 120 days	3,101	19,688
121 - 365 days	117,918	(260,734)
	136,286	(156,614)

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
5. Trade receivables (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	208,122	180,663
31 - 60 days	180,697	124,717
61 - 90 days	136,860	154,659
91 - 120 days	147,770	110,962
121 - 365 days	4,377,965	3,870,775
	5,051,414	4,441,776
Industrial/ commercial		
Current (0 -30 days)	80,334	73,794
31 - 60 days	3,056	3,932
61 - 90 days	1,959	671
91 - 120 days	1,965	821
121 - 365 days	15,463	13,531
	102,777	92,749
National and provincial government		
Current (0 -30 days)	92,059	96,214
31 - 60 days	74,027	42,720
61 - 90 days	17,882	1,520
91 - 120 days	36,022	872
121 - 365 days	52,897	15,076
	272,887	156,402
Total		
Current (0 -30 days)	380,514	350,671
31 - 60 days	257,780	171,368
61 - 90 days	156,701	156,850
91 - 120 days	185,757	112,656
121 - 365 days	4,446,325	3,899,382
	5,427,077	4,690,927
Debtors with credit balances	130,211	110,477
Less: Provision for debt impairment	(4,152,075)	(4,034,650)
	1,405,213	766,754
Total debtor past due but not impaired		
61 - 90 days	58,962	9,375
91 - 120 days	72,817	30,541
121 - 365 days	411,250	-
	543,029	39,916
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4,034,650)	(3,690,648)
Contributions to allowance	(1,744,240)	(1,332,620)
Debt impairment written off against allowance	1,626,815	988,618
	(4,152,075)	(4,034,650)

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	625	325
Bank balances	461,063	291,715
Short-term deposits	10,280	7,430
	471,968	299,470

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque Account - 4053623514	389,030	262,002	86,582	345,032	291,715	109,639
Standard Bank - Cheque Account - 280252013	76,864	69,663	54,139	116,031	-	-
Standard Bank - Call Investment Account - 28875729-001	6,186	6,054	5,943	6,186	6,054	5,943
ABSA Bank - Fixed deposit - 9190855277	-	1,376	1,375	-	1,376	1,375
ABSA Bank - Fixed deposit - 92-8656-0237	1,000	-	-	1,000	-	-
Standard Bank - Fixed deposit - 638042060-001	2,631	-	-	2,631	-	-
ABSA Bank - Fixed deposit - 91-6875-2598	463	-	-	463	-	-
Total	476,174	339,095	148,039	471,343	299,145	116,957

7. Investment property

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	38,585,000	(1,118,500)	37,466,500	38,682,000	-	38,682,000

Reconciliation of investment property - 2014

	Opening balance	Disposals	Transfers	Impairments	Total
Investment property	38,682,000	(88,500)	(8,500)	(1,118,500)	37,466,500

Reconciliation of investment property - 2013

	Opening balance	Additions	Transfers	Impairments	Total
Investment property	38,884,500	50,000	(160,000)	(92,500)	38,682,000

Fair value of investment properties	43,926,000	43,926,000
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2014

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8. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	799,000	-	799,000	799,000	-	799,000
Community assets	2,389,474	(1,333,854)	1,055,620	2,389,474	(1,181,612)	1,207,862
Infrastructure	317,246,970	(156,932,496)	160,314,474	303,207,850	(143,030,028)	160,177,822
Landfill sites	723,779	(470,627)	253,152	711,365	(389,448)	321,917
Leased and other assets	10,383,173	(7,224,064)	3,159,109	10,731,055	(6,631,485)	4,099,570
Buildings	6,965,500	(5,980,328)	985,172	6,965,500	(5,892,678)	1,072,822
Work-in-progress	38,247,802	-	38,247,802	16,965,970	-	16,965,970
Total	376,755,698	(171,941,369)	204,814,329	341,770,214	(157,125,251)	184,644,963

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	799,000	-	-	-	-	799,000
Community assets	1,207,862	-	-	-	(152,242)	1,055,620
Infrastructure	160,177,822	-	-	14,039,120	(13,902,468)	160,314,474
Buildings	1,072,822	-	-	-	(87,650)	985,172
Landfill sites	321,917	12,414	-	-	(81,179)	253,152
Lease and other assets	4,099,570	720,337	(268,230)	-	(1,392,568)	3,159,109
Work-in-progress	16,965,970	35,320,952	-	(14,039,120)	-	38,247,802
	184,644,963	36,053,703	(268,230)	-	(15,616,107)	204,814,329

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	799,000	-	-	-	799,000
Community assets	1,360,103	-	-	(152,241)	1,207,862
Infrastructure	151,047,246	-	22,461,610	(13,331,034)	160,177,822
Buildings	1,165,952	-	-	(93,130)	1,072,822
Landfill sites	399,981	92	-	(78,156)	321,917
Leased and other assets	4,697,049	1,062,731	-	(1,660,210)	4,099,570
Work-in-progress	17,568,662	21,858,918	(22,461,610)	-	16,965,970
	177,037,993	22,921,741	-	(15,314,771)	184,644,963

The gross carrying value of fully depreciated property, plant and equipment still in use amounts to R2 246 804.

Contractual commitments for the acquisition of property, plant and equipment

Infrastructure	24,434,610	16,865,005
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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9. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	466,343	(466,339)	4	466,343	(466,339)	4

Reconciliation of intangible assets - 2014

	Opening balance	Total
Computer software	4	4

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	59,186	(59,182)	4

10. Heritage assets

The municipality owns the following heritage assets:

The Heroes of Steytlerville monument, situated in Steytlerville, in honour of persons that died during the apartheid struggle.

The Great War Memorial monument, situated in Steytlerville, in honour of service men killed during the First World War.

The municipality owns registered servitudes.

Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury.

11. Non-current assets held for sale

	Opening balance	Additions	Disposals	Total
Non-current assets held for sale	110,000	8,500	(110,000)	8,500

Erfs 1760 and 2119 were sold but had not yet been transferred at 30 June 2014.

12. Repayment - National Revenue Fund

Public Works - EPWP	264,524	-
Municipal Infrastructure grant	4,867,092	-
	5,131,616	-
Total other financial liabilities	5,131,616	-

The municipality applied for a roll over on the 2012/2013 unspent conditional grants. The application was denied and the municipality is required to repay R5,131,616.

The amount is repayable in instalments of R1,500,000 to be deducted from the next four tranches of the equitable share grant.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
Non-current liabilities		
At amortised cost	631,616	-
Current liabilities		
At amortised cost	4,500,000	-
13. Finance lease obligation		
Minimum lease payments due		
- within one year	716,399	718,139
- in second to fifth year inclusive	739,310	1,426,580
	1,455,709	2,144,719
less: future finance charges	(210,499)	(641,885)
Present value of minimum lease payments	1,245,210	1,502,834
Present value of minimum lease payments due		
- within one year	559,498	543,141
- in second to fifth year inclusive	685,712	959,693
	1,245,210	1,502,834
Non-current liabilities	685,711	959,693
Current liabilities	559,498	543,141
	1,245,209	1,502,834

The average lease term was 3 years and the effective borrowing rate ranges between prime and prime plus 18%.

The municipality's obligations under finance leases are secured by the lessor's title over the leased assets. .

14. Trade and other payables

Trade payables	18,047,755	13,673,211
Payments received in advanced	114,122	101,719
Salaries control	-	16,109
Leave pay	1,065,796	1,125,908
Direct deposits not receipted	137,255	47,153
Sundry deposits	7,182	1,026
Retentions	761,706	-
Debtors with credit balances	130,211	110,477
	20,264,027	15,075,603

15. Consumer deposits

Electricity	27,079	27,079
Water	122,615	118,556
	149,694	145,635

No interest accrues on consumer deposits as Baviaans Municipality is not a deposit taking entity in terms of the Banking Act.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
DORA grants		
Municipal Infrastructure Grant	-	4,867,092
Regional Bulk Infrastructure Grant	(468,243)	(1,437,751)
Public works - EPWP	-	264,524
	-	-
Other sector departmental grants		
Rapid Response - DWA	498,615	669,034
Water and Sanitation	200,000	200,000
Water Service Assets	(1)	(1)
Cacadu - LED Grant	370,000	-
	600,371	4,562,898
Movement during the year		
Balance at the beginning of the year	4,562,898	558,138
Additions during the year	42,921,460	32,211,114
Income recognition during the year	(41,752,371)	(28,206,354)
Transferred to loans	(5,131,616)	-
	600,371	4,562,898

See note 21 for reconciliation of grants from National/Provincial Government.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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17. Provisions

Reconciliation of provisions - 2014

	Note	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill		977,500	66,568	-	1,044,068
Provision for bonuses		578,040	563,696	(578,040)	563,696
Long service awards	49	1,617,000	68,661	-	1,685,661
Post employment medical aid	49	1,406,000	1,058,046	-	2,464,046
		4,578,540	1,756,971	(578,040)	5,757,471

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Rehabilitation of landfill	926,189	51,311	977,500
Provision for bonuses	523,197	54,843	578,040
Long service awards	1,179,000	438,000	1,617,000
Post employment medical aid	1,209,000	197,000	1,406,000
	3,837,386	741,154	4,578,540

Non-current liabilities	5,193,775	4,000,500
Current liabilities	563,696	578,040
	5,757,471	4,578,540

Annual Bonuses

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th monthly basic salary.

Long service awards

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary
- After 10 Continuous Years of Service - 3% of Basic Annual Salary
- After 15 Continuous Years of Service - 4% of Basic Annual Salary
- After 20 Continuous Years of Service - 5% of Basic Annual Salary
- After 25 Continuous Years of Service - 6% of Basic Annual Salary
- After 30 Continuous Years of Service - 6% of Basic Annual Salary
- After 35 Continuous Years of Service - 6% of Basic Annual Salary
- After 40 Continuous Years of Service - 6% of Basic Annual Salary
- After 45 Continuous Years of Service - 6% of Basic Annual Salary

Post-employment medical benefits

This provision was valued by an independent valuator as at 30 June 2014. The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The Projected Unit Credit funding method has been used to determine the post-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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17. Provisions (continued)

Rehabilitation of landfill

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2018, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

The municipality does not have licences for the landfills therefore the sites will need to be rehabilitated in their entirety.

18. Property rates

Rates received

Property rates	3,429,311	3,081,737
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Valuations

Residential	204,471,800	191,582,200
Commercial	59,949,000	45,951,500
State	77,633,500	77,633,500
Agricultural	1,452,811,500	1,455,051,000
Vacant	12,529,000	12,524,500
Indigent	46,981,500	32,750,500
Places of worship	427,500	39,000
	1,854,803,800	1,815,532,200

The following general rates were applied during the 2013/2014 and 2012/2013 years respectively to property valuations to determine the assessment rates:

Residential properties valued below R 50 000 in Willowmore and Steytleville	R487.03/year	R442.75/year
Residential properties valued from R50 001 to R100 000 in Willowmore and Steytleville	R531.30/year	R483/year
Residential properties valued above R100 000 in Willowmore and Steytleville	0.00537 c/R	0.00488 c/R
Residential properties in Rietbron	0.004092 c/R	0.00372 c/R
Businesses in Steytleville and Willowmore	0.00690 c/R	0.00627 c/R
Agricultural properties	0.00033 c/R	0.00030 c/R
State properties	0.00873 c/R	0.00794 c/R
Businesses in rural areas	0.00695 c/R	0.00632 c/R
Vacant land	0.014674 c/R	0.1334 c/R

19. Service charges

Sanitation charges	279,746	339,514
Sale of electricity	9,818,826	8,896,544
Sale of water	3,382,391	2,946,622
Sewerage charges	1,644,671	1,418,735
Refuse removal	2,354,990	2,131,630
	17,480,624	15,733,045

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
20. Revenue		
Property rates	3,429,311	3,081,737
Service charges	17,480,624	15,733,045
Fines	9,250	3,800
Government grants & subsidies	61,427,522	50,088,325
Interest received	580,460	480,348
Income from agency services	764,352	648,264
Licences and permits	624,582	-
Rental of facilities and equipment	46,126	115,974
Other income	334,445	442,999
Gain on disposal	123,275	7,018
Public contributions and donations	12,424	113,292
	84,832,371	70,714,802

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	17,480,624	15,733,045
Rental of facilities and equipment	46,126	115,974
Interest received	580,460	480,348
Income from agency services	764,352	648,264
Licences and permits	624,582	-
Other income	334,445	442,999
Gain on disposal	123,275	7,018
	19,953,864	17,427,648

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	3,429,311	3,081,737
Government grants & subsidies	61,427,522	50,088,325
Public contributions and donations	12,424	113,292
Fines	9,250	3,800
	64,878,507	53,287,154

Baviaans Local Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
21. Government grants and subsidies		
Equitable share	18,694,000	15,985,000
Cacadu - IDP	-	797,695
Cacadu - LED	-	-
Library subsidies	220,000	339,608
Department of Human Settlements	259,963	-
Municipal Infrastructure Grant	14,030,000	8,537,178
Municipal Systems Improvement Grant	890,000	800,000
Subsidies: Tourism	10,000	-
Water Conservation and Demand	-	15,500
Down Housing	-	999,375
Wastewater Treatment Grant	-	1,875,862
Rapid Response Grant - DWA	170,419	-
Subsidy on audit fees	441,151	3,079,118
Department of Trade and Industry Grant (Amounts paid by Department)	16,094,260	-
Public Works - EPWP	1,045,000	2,053,476
Cacadu - Fires Services Grant	250,000	250,000
Finance Management Grant	1,400,000	1,250,000
Regional Bulk Infrastructure Grant	7,862,729	12,105,513
Vuna Awards	60,000	-
Provincial Government Grant	-	2,000,000
	61,427,522	50,088,325

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Cacadu - IDP Grant

Balance unspent at beginning of year	-	201,026
Current-year receipts	-	596,669
Transferred to revenue	-	(797,695)
	-	-

Cacadu - LED Grant

Balance unspent at beginning of year	-	185,744
Current-year receipts	370,000	-
Expended	-	(185,744)
	370,000	-

Municipal Infrastructure Grant

Balance unspent at beginning of year	4,867,092	732,270
Current-year receipts	14,030,000	12,672,000
Transferred to revenue	(14,030,000)	(8,537,178)
Transferred to loan	(4,867,092)	-
	-	4,867,092

Baviaans Local Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
21. Government grants and subsidies (continued)		
Municipal Systems Improvement Grant		
Current-year receipts	890,000	800,000
Transferred to revenue	(890,000)	(800,000)
	-	-
Waste Water Treatment Grant		
Balance unspent at beginning of year	-	(858,667)
Current-year receipts	-	2,734,528
Transferred to revenue	-	(1,875,861)
	-	-
Rapid Response Grant - DWA		
Balance unspent at beginning of year	669,034	669,034
Conditions met - transferred to revenue	(170,419)	-
	498,615	669,034
Water Service Assets Grant		
Balance unspent at beginning of year	(1)	(1)
Regional Bulk Infrastructure Grant		
Balance unspent at beginning of year	(1,437,751)	-
Current-year receipts	8,832,237	10,667,762
Conditions met - transferred to revenue	(7,862,729)	(12,105,513)
	(468,243)	(1,437,751)
Public works - EPWP		
Balance unspent at beginning of year	264,524	-
Current-year receipts	1,045,000	2,318,000
Conditions met - transferred to revenue	(1,045,000)	(2,053,476)
Transferred to loan	(264,524)	-
	-	264,524
Finance Management Grant		
Current-year receipts	1,400,000	1,250,000
Conditions met - transferred to revenue	(1,400,000)	(1,250,000)
	-	-
Down Housing		
Current-year receipts	-	1,568,824
Conditions met - transferred to revenue	-	(999,375)
Other transfers	-	(569,449)
	-	-

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
21. Government grants and subsidies (continued)		
Water and Sanitation Grant		
Balance unspent at beginning of year	200,000	-
Current-year receipts	-	200,000
	200,000	200,000
22. Personnel		
Basic	14,648,936	13,837,648
Bonus	989,788	911,372
Medical aid - company contributions	927,047	838,320
UIF	132,490	129,920
WCA	213,000	-
SDL	152,153	48,094
Leave pay provision charge	27,981	121,061
Pension fund contributions	1,387,334	1,345,931
Travel, motor car, accommodation, subsistence and other allowances	802,786	445,728
Overtime payments	425,861	384,993
Long-service awards	136,474	343,000
Housing benefits and allowances	30,142	19,082
Provident fund contributions	459,605	20,132
Post employment medical aid	(91,000)	101,000
Other	6,513	3,362
	20,249,110	18,549,643
Remuneration of municipal manager		
Annual Remuneration	552,776	514,935
Performance and other Bonuses	-	45,522
Travel, motor car, accommodation, subsistence and other allowances	137,400	74,400
Contributions to UIF, Medical and Pension Funds	8,517	6,023
	698,693	640,880
Remuneration of chief finance officer		
Annual Remuneration	659,937	442,560
Performance and other Bonuses	-	91,720
Travel, motor car, accommodation, subsistence and other allowances	10,800	123,482
Contributions to UIF, Medical and Pension Funds	3,461	6,686
	674,198	664,448
Remuneration of Manager - Community Services		
Annual Remuneration	372,414	357,710
Performance and other Bonuses	-	9,770
Travel, motor car, accommodation, subsistence and other allowances	142,800	135,800
Contributions to UIF, Medical and Pension Funds	1,861	1,784
	517,075	505,064

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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22. Personnel (continued)

Remuneration of the Manager - Corporate Services

Annual Remuneration	429,414	402,710
Travel, motor car, accommodation, subsistence and other allowances	85,800	85,800
Contributions to UIF, Medical and Pension Funds	6,863	2,179
	522,077	490,689

Remuneration of Manager - Technical Services

Annual Remuneration	469,414	442,710
Travel, motor car, accommodation, subsistence and other allowances	45,800	45,800
Contributions to UIF, Medical and Pension Funds	6,943	1,784
	522,157	490,294

23. Remuneration of councillors

Executive Mayor	293,667	252,662
Councillors	961,092	828,066
Councillors allowances	401,723	426,525
	1,656,482	1,507,253

In-kind benefits

The municipality received assistance from the Cacadu District Municipality. The assistance provided by Cacadu District Municipality was to provide accounting support services.

Councillors' Remuneration

2014

Councillor	Remuneration	Allowances	Total
EL Look (Mayor)	293,667	78,977	372,644
D J Bezuidenhout	160,182	53,791	213,973
H Booysen	160,182	53,791	213,973
M E Fivaz	160,182	53,791	213,973
G A Hobson	160,182	53,791	213,973
V B Lapperts	160,182	53,791	213,973
T R Spogter	160,182	53,791	213,973
	1,254,759	401,723	1,656,482

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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23. Remuneration of councillors (continued)

2013

Councillor	Remuneration	Allowances	Total
EL Loock (Mayor)	252,662	92,187	344,849
D J Bezuidenhout	138,011	55,723	193,734
H Booysen	138,011	55,723	193,734
M E Fivaz	138,011	55,723	193,734
G A Hobson	138,011	55,723	193,734
V B Lapperts	138,011	55,723	193,734
T R Spogter	138,011	55,723	193,734
	1,080,728	426,525	1,507,253

24. Debt impairment

Contributions to debt impairment provision	1,744,240	1,371,162
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25. Depreciation and amortisation

Property, plant and equipment	15,616,106	15,373,952
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26. Finance costs

Provision for rehabilitation of landfill	208,000	191,000
Post employment medical aid	54,154	51,218
Finance leases	223,719	228,371
Trade and other payables	605,082	613,638
	1,090,955	1,084,227

27. Repairs and maintenance

Buildings	30,006	82,652
EPWP	1,366,767	2,081,956
Equipment	28,160	82,922
Fencing	3,041	-
Maintenance	5,260	6,450
Network	153,341	400,076
Sports fields	12,817	3,355
Street lights	35,612	28,984
Streets	73,823	35,493
Tools	21,805	36,176
Traffic signs	2,500	-
Vehicles	220,292	324,787
	1,953,424	3,082,851

28. Bulk purchases

Electricity	8,475,329	7,942,343
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Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
29. Grants and subsidies paid		
Free Basic Services	5,385,989	5,629,261
Grants paid to ME's	-	-
Other subsidies	5,385,989	5,629,261
30. General expenses		
Actuarial cost	991,707	-
Advertising	38,765	148,316
Assessment rates & municipal charges	598,374	637,730
Auditors remuneration	2,376,445	2,878,193
Bank charges	182,423	180,005
Chemicals	149,735	166,193
Christmas lights	-	11,367
Communication	96,901	90,323
Community assistance	22,245	17,821
Commission paid	173,439	139,518
Computer expenses	747,778	-
Consumables	21,607	92,106
Electricity - municipal usage	1,274,704	1,106,750
Finance Management Grant	1,272,051	1,084,878
Fire fighting	96,406	530
Fuel and oil	1,186,089	1,056,566
Insurance	246,316	232,869
Internal audit	374,784	-
LED SMME/arts and crafts expenditure	5,907	-
Lease rentals	153,864	156,480
Legal fees	817,522	127,944
Membership fees	462,500	783,601
Motor vehicle expenses	302,994	-
Movement in water inventory	(13,870)	(29,670)
MSIG	785,594	700,067
Other projects	15,408	-
Postage and courier	173,228	195,737
Printing and stationery	415,638	192,473
Project management costs	392,759	515,448
Provision for landfill sites	4,094	36,633
Protective clothing	108,000	82,640
Research and development costs	77,206	57,494
Royalties and license fees	33,989	35,152
Special projects	27,497	22,760
Sundry expenses	258,722	261,984
Telephone and fax	573,171	379,413
Tourism development	104,410	248,565
Training	2,931	4,614
Travel - local	146,210	79,730
Transfer fees	34,614	26,667
Ward committees	30,086	-
	14,762,243	11,720,897

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
31. Impairment of assets		
Impairments		
Property, plant and equipment	-	50,000
Investment property	1,118,500	92,500
	1,118,500	142,500
	1,118,500	-
	-	-

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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32. Prior period errors

The correction of error relating to the opening retained income balance at 01 July 2012 is due to the following adjustment:

Cash and cash equivalents	1
Decrease in Investment Property	(899,000)
Increase in tax payable and workmens compensation	(705,000)
Increase in VAT receivable	1,121,663
	(482,336)

Further to the above, the following balances were adjusted at the 2013 reporting date:

Statement of financial position	Restated 2013	Reported 2013
Assets		
Current assets		
Other receivables	337,500	397,833
VAT receivable	2,112,575	1,063,758
Non-current assets		
Investment property	38,682,000	39,581,000
Property, plant and equipment	184,644,963	182,927,086
Intangible assets	4	-
Liabilities		
Current liabilities		
Trade and other payables	(15,075,601)	(14,412,109)
Non-current liabilities		
	210,701,441	209,557,568

Statement of Financial Performance

Revenue		
Property rates	3,081,737	3,088,755
Licences and permits	-	508,746
Government grants & subsidies	50,088,326	46,316,326
Other income	442,999	2,556,858
Gain on disposal of asset	7,018	-
Income from agency	648,264	-
Expenditure		
General expenses	(11,720,900)	(11,474,423)
	42,547,444	40,996,262

Other Receivables

Reversal of duplicated receipts.

VAT Receivable

A full review was done of the VAT for the past 3 years. The VAT control account was corrected based on the VAT review conducted.

Investment Property

Based on the qualification received in last year's audit for investment property, a full review was conducted on all investment property and the adjustments made accordingly.

Property, plant and equipment

Accruals were raised on grants in the 2012/2013 financial year but the related asset was not recognised.

Trade and other payables

Workmen's compensation and amounts payable to SARS not raised in the prior year.

Property rates

Reclassification of gain on disposal of asset.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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32. Prior period errors (continued)

Licences and permits

Reclassification of income from agency fees and the reclassification of transaction costs related to income from agency fees to general expenses.

Government grants and subsidies

Accruals were raised on grants in the 2012/2013 financial year but the related asset was not recognised.

Income from agency fees

Reclassification of amounts from licences and permits.

Other income

Reclassification of EPWP grant to government grants and subsidies and transaction costs relating to income from agency fees reclassified to income from agency fees.

General expenses

Reclassification of transaction costs relating to income from agency fees from licences and permits to general expenses.

33. Cash generated from operations

Surplus	12,691,493	4,310,713
Adjustments for:		
Depreciation and amortisation	15,616,106	15,373,952
Loss on sale of assets and liabilities	(123,275)	(7,018)
Impairment deficit	1,118,500	142,500
Debt impairment	1,744,240	1,371,162
Movements in provisions	1,178,931	741,154
Changes in working capital:		
Inventories	(13,869)	(29,671)
Other receivables	(67,999)	(337,500)
Consumer debtors	(2,382,699)	(1,786,141)
Trade and other payables	5,188,426	(855,755)
VAT	(229,177)	(262,779)
Unspent conditional grants and receipts	(3,962,527)	4,311,973
Consumer deposits	4,059	615
	30,762,209	22,973,205

34. Auditors' remuneration

Fees	2,376,445	2,878,193
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Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
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35. Related parties

Relationships	
Mayor	EL Loock
Councillor	Cllr D Bezuidenhout
Councillor	Cllr H Booysen
Councillor	Cllr M Fivaz
Councillor	Cllr GA Hobson
Councillor	Cllr V Lapperts
Councillor	Cllr T Spogter
Municipal Manager	JM Vumazonke
Chief Financial Officer	H Nagel
Technical Services Manager	B Arends
Community Services Manager	L de Beer
Corporate Services Manager	MA Lotter
Related government entity	Eskom
District Municipality Which Baviaans Municipality forms part of	Cacadu District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	None

36. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
- Call deposits	9,817	7,430
- Trade and other receivables	1,405,213	766,755
- Other receivables	395,091	397,883

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

37. Events after the reporting date

No events have been identified after the reporting date which could have a material impact on the annual financial statements.

38. Unauthorised expenditure

Opening balance	11,110,460	9,912,915
Add: Unauthorised expenditure - current year	1,784,334	12,017,645
Less: Amounts condoned	(12,894,794)	(10,820,100)
	-	11,110,460

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
39. Fruitless and wasteful expenditure		
Opening balance	410,060	359,039
Add: Fruitless and wasteful expenditure - current year	473,445	1,618,593
Less: Amounts condoned	(883,505)	(1,567,572)
	-	410,060

40. Irregular expenditure

Opening balance	828,197	694,529
Add: Irregular expenditure - current year	-	133,668
Less: Amounts condoned	(828,197)	-
	-	828,197

41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Goods and services to the value of R6,990,577.89 (2012/2013: R2,686,080) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

42. Compliance

The municipality was unable to pay creditors within the required 30 days due to cash constraints. This is in contravention of paragraph 65(2)(e) of the Municipal Finance Management Act.

43. Contingencies

Wanhoop

The municipality is involved in a dispute with the owner of a farm in respect of the municipality's rights to water that is sourced from the farm. The municipality's lawyers are of the opinion that the matter will only be resolved in court. If it goes to court, further costs could reach somewhere between R400,000 and R500,000. Should the municipality be successful, a reasonable portion of the costs will be payable by the owner of the farm.

The matter is still pending. The Department of Water Affairs are actively involved in trying to assist the municipality in finalising the matter to ensure that the municipality can register servitudes. On the matter of litigation it seems to be quiet for the moment and the lawyers foresee that it will remain like this for the immediate future.

Isiseko Soqoqosho CC

The municipality is being sued by Isiseko Soqoqosho CC for R 7,000,000 for damages incurred as a result of the termination of an agreement between the parties.

The matter was scheduled to be heard on 26 July 2011 but was sine die (for an undetermined time) postponed as the debtor's assets had to be valued. The debtor could only reschedule the hearing after they had paid the taxed costs which they did on 18 October 2012. They are in a position to schedule the matter for hearing but to date have not done such.

The municipality's lawyers regard this matter as being closed as the claimant has not applied for the case to be put on the roll again.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
44. Material losses		
During the 2013/2014 financial year the municipality incurred distribution losses relating to water of 21% (2012/2013: 20.51%) and relating to electricity of 12.03% (2013: 12.14%)		
45. Pension and medical aid deductions		
Pension		
Current year payroll deductions and Council Contributions	1,757,073	2,044,490
Amount paid - current year	(1,321,879)	(2,044,490)
	435,194	-
Medical aid		
Current year payroll deductions and Council Contributions	927,047	1,291,019
Amount paid - current year	(788,139)	(1,291,019)
	138,908	-
46. Councillors' arrear consumer accounts		
Outstanding less than 90 days		
Councillor Clasen R	-	2,376
Councillor Booysen H	-	187
Councillor Bezuidenhout D	-	1,604
Councillor Fischer V	-	179
	-	4,346
47. PAYE and UIF		
Current year payroll deductions	2,655,935	2,886,589
Amount paid - current year	(2,182,314)	(2,886,589)
	473,621	-
48. Operating lease receivables		
Present value of minimum lease payments due		
- within one year	6,600	6,600
- in second to fifth year inclusive	14,950	21,550
- later than five years	1,500	1,500
	23,050	29,650

The average lease terms is 10 years and the average effective lending rate is undetermined.

Obligations under operating leases are secured by the lessor's title to the leased property.

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
49. Employee benefits		
49.1 Post employment medical benefit		
The amounts recognised in the statement of financial position are as follows:		
Post Employment Medical Liability - Carrying value		
Present value of the post employment benefit medical obligation - wholly unfunded	2,464,046	1,406,000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	1,406,000	1,209,000
Net expense recognised in the statement of financial performance	1,058,046	197,000
	2,464,046	1,406,000
Net expense recognised in the statement of financial performance		
Interest cost	99,000	96,000
Actuarial losses	1,050,046	192,000
Benefits paid	(91,000)	(91,000)
	1,058,046	197,000
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	8.60 %	7.25 %
Net discount rate	0.69 %	0.47 %
Consumer price inflation	7.91 %	6.25 %
Medical cost trend rates	7.86 %	6.75 %
Expected increase in salaries	7.21 %	7.15 %
The PA 90-2 post-retirement mortality table used		
Number of Continuation pensioners - 4 (2012/2013: 4)		
Average age of Continuation pensioners as at 30 June 2014 was 67.3 (2012/2013: 66.50), with an average employer monthly contribution of R2,726 (2012/2013: R2,495)		
Defined benefit obligation		
The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by Arch Actuarial Consulting using the Projected Unit Credit Method.		
49.2 Long service awards		
The amounts recognised in the statement of financial position are as follows:		
Long service awards - Carrying value		
Present value of the long service awards - wholly unfunded	1,685,661	1,617,000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	1,617,000	1,179,000
Net expense recognised in the statement of financial performance	68,661	438,000
	1,685,661	1,617,000

Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
49. Employee benefits (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	244,000	200,000
Interest cost	109,000	95,000
Actuarial (gains) losses	(58,339)	192,000
Bonuses paid	(226,000)	(49,000)
	68,661	438,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.12 %	7.25 %
Net discount rate	0.85 %	0.09 %
Consumer price inflation	6.21 %	6.25 %
Expected increase in salaries	7.21 %	7.15 %

Defined benefit obligation

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by Arch Actuarial Consulting using the Projected Unit Credit Method.

APPENDIX A - APPROPRIATION STATEMENT (RECONCILIATION OF BUDGET AND IN-YEAR PERFORMANCE

EC107 Baviaans - Reconciliation of Table A1 Budget Summary

Description	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	3 737	–	3 737	3 429		(308)	91.8%	91.8%				3 082
Service charges	18 146	(163)	17 983	17 481		(502)	97.2%	96.3%				15 733
Investment revenue	80	–	80	121		41	151.1%	151.1%				112
Transfers recognised - operational	23 330	222	23 552	23 354		(198)	99.2%	100.1%				26 570
Other own revenue	7 205	(5 151)	2 054	2 362		308	115.0%	32.8%				1 586
Total Revenue (excluding capital transfers and contributions)	52 498	(5 092)	47 406	46 746		(660)	98.6%	89.0%				47 084
Employee costs	19 732	807	20 539	20 249	–	(290)	98.6%	102.6%	–	–	–	18 550
Remuneration of councillors	1 692	–	1 692	1 656	–	(36)	97.9%	97.9%	437	437	–	1 507
Debt impairment	–	–	–	1 744	–	1 744	#DIV/0!	#DIV/0!	–	–	–	1 371
Depreciation & asset impairment	8 000	7 600	15 600	16 735	–	1 135	107.3%	209.2%	143	143	–	15 516
Finance charges	195	868	1 063	1 091	473	28	102.6%	559.5%	51	51	–	1 084
Materials and bulk purchases	9 396	(150)	9 246	8 475	–	(771)	91.7%	90.2%	–	–	–	7 942
Transfers and grants	5 718	21	5 739	5 386	–	(353)	93.8%	94.2%	4 379	4 379	–	5 629
Other expenditure	14 792	(282)	14 510	16 804	1 784	2 294	115.8%	113.6%	216	216	–	14 804
Total Expenditure	59 526	8 865	68 391	72 141	2 258	3 750	105.5%	121.2%	5 226	5 226	–	66 404
Surplus/(Deficit)	(7 028)	(13 957)	(20 985)	(25 395)		(4 410)	121.0%	361.3%				(19 321)
Transfers recognised - capital	39 429	2 985	42 414	38 074		(4 340)	89.8%	96.6%				23 518
Contributions recognised - capital & contributed assets	–	–	–	–		–	–	–				–
Surplus/(Deficit) after capital transfers & contributions	32 400	(10 971)	21 429	12 679		(8 750)	59.2%	39.1%				4 197
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
Surplus/(Deficit) for the year	32 400	(10 971)	21 429	12 679		(8 750)	59.2%	39.1%				4 197
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	36 889	2 915	39 804	35 390		(4 415)	88.9%	95.9%				21 859
Public contributions & donations	–	–	–	–		–	–	–				–
Borrowing	–	–	–	280		280	#DIV/0!	#DIV/0!				733
Internally generated funds	140	4 943	5 083	115		(4 967)	2.3%	82.4%				329
Total sources of capital funds	37 029	7 858	44 887	35 785		(9 101)	79.7%	96.6%				22 922
Cash flows												
Net cash from (used) operating	39 085	1 509	40 595	30 762		(9 832)	75.8%	78.7%				22 973
Net cash from (used) investing	(37 029)	(7 858)	(44 887)	(35 464)		9 423	79.0%	95.8%				(22 965)
Net cash from (used) financing	(740)	(381)	(1 121)	4 874		5 995	-434.8%	-658.6%				174
Cash/cash equivalents at the year end	1 616	–	(5 114)	472		5 586	-9.2%	29.2%				299

EC107 Baviaans - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	16 590	(3 036)	13 554	13 608		54	100.4%	82.0%				16 398
Executive and council	1 348	–	1 348	1 348		–	100.0%	100.0%				732
Budget and treasury office	15 091	(2 976)	12 115	12 117		2	100.0%	80.3%				13 415
Corporate services	151	(60)	91	143		52	156.8%	94.5%				2 251
Community and public safety	1 409	3 300	4 709	824		(3 885)	17.5%	58.5%				2 396
Community and social services	430	82	512	574		62	112.2%	133.5%				1 147
Sport and recreation	500	345	845	–		(845)	–	–				–
Public safety	479	(229)	250	250		–	100.0%	52.2%				250
Housing	–	3 102	3 102	–		(3 102)	–	–				999
Health	–	–	–	–		–	–	–				–
Economic and environmental services	9 943	(1 718)	8 225	7 878		(347)	95.8%	79.2%				11 375
Planning and development	–	–	–	–		–	–	–				–
Road transport	9 943	(1 718)	8 225	7 878		(347)	95.8%	79.2%				11 375
Environmental protection	–	–	–	–		–	–	–				–
Trading services	63 864	(666)	63 199	62 456		(743)	98.8%	97.8%				40 457
Electricity	14 047	(67)	13 980	14 093		114	100.8%	100.3%				12 345
Water	40 001	(854)	39 147	38 249		(898)	97.7%	95.6%				17 813
Waste water management	4 831	171	5 001	5 237		236	104.7%	108.4%				8 199
Waste management	4 986	85	5 071	4 877		(194)	96.2%	97.8%				2 100
Other	120	13	133	66		(67)	49.8%	55.0%				89
Total Revenue - Standard	91 926	(2 107)	89 820	84 832		(4 987)	94.4%	92.3%				70 715
Expenditure - Standard												
Governance and administration	22 619	10 765	33 384	38 607	5 222	5 222	115.6%	170.7%	5 142	5 142	–	39 462
Executive and council	3 266	263	3 529	3 373	(156)	(156)	95.6%	103.3%	437	437	–	3 793
Budget and treasury office	14 966	9 580	24 546	30 413	5 868	5 868	123.9%	203.2%	4 687	4 687	–	31 514
Corporate services	4 387	923	5 310	4 820	(489)	(489)	90.8%	109.9%	18	18	–	4 156
Community and public safety	3 317	149	3 466	2 917	(548)	(548)	84.2%	88.0%	–	–	–	2 831
Community and social services	2 782	117	2 898	2 419	(479)	(479)	83.5%	87.0%			–	2 459
Sport and recreation	6	(6)	–	–	–	–	–	–			–	–
Public safety	529	38	567	498	(69)	(69)	87.8%	94.1%			–	372
Housing	–	–	–	–	–	–	–	–			–	–
Health	–	–	–	–	–	–	–	–			–	–
Economic and environmental services	10 304	(2 104)	8 200	9 303	1 103	1 103	113.5%	90.3%	33	33	–	7 421
Planning and development	–	–	–	–	–	–	–	–			–	–
Road transport	10 304	(2 104)	8 200	9 303	1 103	1 103	113.5%	90.3%	33	33	–	7 421
Environmental protection	–	–	–	–	–	–	–	–			–	–
Trading services	22 577	127	22 704	20 705	(2 000)	(2 000)	91.2%	91.7%	51	51	–	15 936
Electricity	12 635	131	12 767	11 544	(1 223)	(1 223)	90.4%	91.4%			–	9 979
Water	4 189	187	4 376	4 389	13	13	100.3%	104.8%			–	3 203
Waste water management	2 263	317	2 580	1 508	(1 072)	(1 072)	58.4%	66.6%	51	51	–	1 507
Waste management	3 489	(508)	2 982	3 264	283	283	109.5%	93.6%			–	1 247
Other	709	(73)	636	609	(27)	(27)	95.7%	85.9%			–	755
Total Expenditure - Standard	59 526	8 865	68 391	72 141	3 750	3 750	105.5%	121.2%	5 226	5 226	–	66 404
Surplus/(Deficit) for the year	32 400	(10 971)	21 429	12 691	(8 738)	(8 738)	59.2%	39.2%	(5 226)	(5 226)	–	4 311

EC107 Baviaans - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Council	1 348	–	1 348	1 348		–	100.0%	100.0%				732
Vote 2 - Accounting Officer	–	–	–			–	-	-				
Vote 3 - Budget & Treasury Office	15 091	(2 976)	12 115	12 117		2	100.0%	80.3%				13 415
Vote 4 - Technical Services	70 811	2 399	73 209	70 384		(2 825)	96.1%	99.4%				51 951
Vote 5 - Community Services	4 645	(1 547)	3 098	890		(2 208)	28.7%	19.2%				2 485
Vote 6 - Corporate Services	31	18	49	93		44	188.8%	300.8%				2 132
Example 7 - Vote7			–			–	-	-				
Example 8 - Vote8			–			–	-	-				
Example 9 - Vote9			–			–	-	-				
Example 10 - Vote10			–			–	-	-				
Example 11 - Vote11			–			–	-	-				
Example 12 - Vote12			–			–	-	-				
Example 13 - Vote13			–			–	-	-				
Example 14 - Vote14			–			–	-	-				
Example 15 - Vote15			–			–	-	-				
Total Revenue by Vote	91 926	(2 107)	89 820	84 832		(4 987)	94.4%	92.3%				70 715
Expenditure by Vote to be appropriated												
Vote 1 - Council	2 257	(19)	2 238	2 321		83	103.7%	102.8%	437	437	–	2 460
Vote 2 - Accounting Officer	1 009	282	1 291	1 052		(239)	81.5%	104.2%			–	1 332
Vote 3 - Budget & Treasury Office	14 966	9 577	24 543	30 413	1 784	5 870	123.9%	203.2%	4 687	4 687	–	31 514
Vote 4 - Technical Services	30 908	(185)	30 723	30 428		(295)	99.0%	98.4%	84	84	–	23 769
Vote 5 - Community Services	6 995	(2 236)	4 760	3 527		(1 233)	74.1%	50.4%			–	3 585
Vote 6 - Corporate Services	3 390	1 445	4 835	4 400	473	(436)	91.0%	129.8%	18	18	–	3 743
Example 7 - Vote7			–			–	-	-			–	
Example 8 - Vote8			–			–	-	-			–	
Example 9 - Vote9			–			–	-	-			–	
Example 10 - Vote10			–			–	-	-			–	
Example 11 - Vote11			–			–	-	-			–	
Example 12 - Vote12			–			–	-	-			–	
Example 13 - Vote13			–			–	-	-			–	
Example 14 - Vote14			–			–	-	-			–	
Example 15 - Vote15			–			–	-	-			–	
Total Expenditure by Vote	59 526	8 865	68 391	72 141	2 258	3 750	105.5%	121.2%	5 226	5 226	–	66 404
Surplus/(Deficit) for the year	32 400	(10 971)	21 429	12 691		(8 738)	59.2%	39.2%				

EC107 Baviaans - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	3 737	–	3 737	3 429		(308)	91.8%	91.8%				3 082
Property rates - penalties & collection charges		–	–	–		–	–	–				–
Service charges - electricity revenue	10 203	(120)	10 083	9 819		(264)	97.4%	96.2%				8 897
Service charges - water revenue	3 481	50	3 531	3 382		(148)	95.8%	97.2%				2 947
Service charges - sanitation revenue	2 055	(93)	1 962	1 924		(38)	98.1%	93.6%				1 758
Service charges - refuse revenue	2 407	–	2 407	2 355		(52)	97.8%	97.8%				2 132
Service charges - other	–	–	–	–		–	–	–				–
Rental of facilities and equipment	120	(81)	39	46		7	119.2%	38.4%				116
Interest earned - external investments	80	–	80	121		41	151.1%	151.1%				112
Interest earned - outstanding debtors	150	189	339	460		121	135.6%	306.4%				368
Dividends received	–	–	–	–		–	–	–				–
Fines	20	(5)	15	9		(6)	61.7%	46.3%				4
Licences and permits	100	485	585	625		40	106.8%	624.6%				–
Agency services	2 996	(2 258)	738	764		26	103.6%	25.5%				648
Transfers recognised - operational	23 330	222	23 552	23 354		(198)	99.2%	100.1%				26 570
Other revenue	3 819	(3 481)	338	334		(4)	98.9%	8.8%				443
Public contributions and donations	–	–	–	12								113
Gains on disposal of PPE	–	–	–	123		123	#DIV/0!	#DIV/0!				7
Total Revenue (excluding capital transfers and contributions)	52 498	(5 092)	47 406	46 759		(660)	98.6%	89.1%				47 197
Expenditure By Type												
Employee related costs	19 732	807	20 539	20 249		(290)	98.6%	102.6%			–	18 550
Remuneration of councillors	1 692	–	1 692	1 656		(36)	97.9%	97.9%	437	437	–	1 507
Debt impairment				1 744		1 744	#DIV/0!	#DIV/0!			–	1 371
Depreciation & asset impairment	8 000	7 600	15 600	16 735		1 135	107.3%	209.2%	143	143	–	15 516
Finance charges	195	868	1 063	1 091	473	28	102.6%	559.5%	51	51	–	1 084
Bulk purchases	9 396	(150)	9 246	8 475		(771)	91.7%	90.2%			–	7 942
Other materials			–	–		–	–	–			–	–
Contracted services	–	–	–	–		–	–	–			–	–
Transfers and grants	5 718	21	5 739	5 386		(353)	93.8%	94.2%	4 379	4 379	–	5 629
Other expenditure	14 792	(282)	14 510	16 716	1 784	2 205	115.2%	113.0%	216	216	–	14 804
Loss on disposal of PPE			–	89		89	#DIV/0!	#DIV/0!			–	0
Total Expenditure	59 526	8 865	68 391	72 141	2 258	3 750	105.5%	121.2%	5 226	5 226	–	66 404
Surplus/(Deficit)	(7 028)	(13 957)	(20 985)	(25 382)		(4 410)	121.0%	361.2%				(19 207)
Transfers recognised - capital	39 429	2 985	42 414	38 074		(4 340)	89.8%	96.6%				23 518
Contributions recognised - capital			–	–		–	–	–				–
Contributed assets			–	–		–	–	–				–
Surplus/(Deficit) after capital transfers & contributions	32 400	(10 971)	21 429	12 691		(8 750)	59.2%	39.2%				4 311
Taxation			–	–		–	–	–				–
Surplus/(Deficit) after taxation	32 400	(10 971)	21 429	12 691		(8 750)	59.2%	39.2%				4 311
Attributable to minorities			–	–		–	–	–				–
Surplus/(Deficit) attributable to municipality	32 400	(10 971)	21 429	12 691		(8 750)	59.2%	39.2%				4 311
Share of surplus/ (deficit) of associate			–	–		–	–	–				–
Surplus/(Deficit) for the year	32 400	(10 971)	21 429	12 691		(8 750)	59.2%	39.2%				4 311

EC107 Baviaans - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2013/14								2012/13			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Council			-			-	-	-			-	
Vote 2 - Accounting Officer			-			-	-	-			-	
Vote 3 - Budget & Treasury Office			-			-	-	-			-	
Vote 4 - Technical Services			-			-	-	-			-	
Vote 5 - Community Services			-			-	-	-			-	
Vote 6 - Corporate Services			-			-	-	-			-	
Example 7 - Vote7			-			-	-	-			-	
Example 8 - Vote8			-			-	-	-			-	
Example 9 - Vote9			-			-	-	-			-	
Example 10 - Vote10			-			-	-	-			-	
Example 11 - Vote11			-			-	-	-			-	
Example 12 - Vote12			-			-	-	-			-	
Example 13 - Vote13			-			-	-	-			-	
Example 14 - Vote14			-			-	-	-			-	
Example 15 - Vote15			-			-	-	-			-	
Capital multi-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure												
Vote 1 - Council	-	-	-	-	-	-	-	-			-	
Vote 2 - Accounting Officer	10	(10)	-	280	-	280	#DIV/0!	2803%			-	
Vote 3 - Budget & Treasury Office	-	96	96	26	-	(70)	27%	#DIV/0!			-	1 063
Vote 4 - Technical Services	36 380	7 390	43 770	35 419	-	(8 351)	81%	97%			-	21 859
Vote 5 - Community Services	639	382	1 021	60	-	(961)	6%	9%			-	
Vote 6 - Corporate Services	-	-	-	-	-	-	-	-			-	
Example 7 - Vote7	-	-	-	-	-	-	-	-			-	
Example 8 - Vote8	-	-	-	-	-	-	-	-			-	
Example 9 - Vote9	-	-	-	-	-	-	-	-			-	
Example 10 - Vote10	-	-	-	-	-	-	-	-			-	
Example 11 - Vote11	-	-	-	-	-	-	-	-			-	
Example 12 - Vote12	-	-	-	-	-	-	-	-			-	
Example 13 - Vote13	-	-	-	-	-	-	-	-			-	
Example 14 - Vote14	-	-	-	-	-	-	-	-			-	
Example 15 - Vote15	-	-	-	-	-	-	-	-			-	
Capital single-year expenditure	37 029	7 858	44 887	35 785	-	(9 101)	80%	97%	-	-	-	22 922
Total Capital Expenditure - Vote	37 029	7 858	44 887	35 785	-	(9 101)	80%	97%	-	-	-	22 922
Capital Expenditure - Standard												
Governance and administration	10	86	96	307	-	211	319%	3065%	-	-	-	1 063
Executive and council	10	(10)	-	280	-	280	#DIV/0!	2803%			-	
Budget and treasury office	-	96	96	26	-	(70)	27%	#DIV/0!			-	1 063
Corporate services	-	-	-	-	-	-	-	-			-	
Community and public safety	639	3 484	4 123	305	-	(3 818)	7%	48%	-	-	-	1 817
Community and social services	200	79	279	305	-	26	109%	153%			-	
Sport and recreation	439	303	742	-	-	(742)	-	-			-	
Public safety	-	-	-	-	-	-	-	-			-	
Housing	-	3 102	3 102	-	-	(3 102)	-	-			-	1 817
Health	-	-	-	-	-	-	-	-			-	
Economic and environmental services	4 544	1 175	5 718	4 566	-	(1 153)	80%	100%	-	-	-	5 273
Planning and development	-	-	-	-	-	-	-	-			-	
Road transport	4 544	1 175	5 718	4 566	-	(1 153)	80%	100%			-	5 273
Environmental protection	-	-	-	-	-	-	-	-			-	
Trading services	31 837	3 113	34 950	30 608	-	(4 342)	88%	96%	-	-	-	14 769
Electricity	70	355	425	353	-	(71)	83%	505%			-	425
Water	31 597	1 907	33 504	29 660	-	(3 844)	89%	94%			-	10 619
Waste water management	20	767	787	326	-	(460)	41%	1630%			-	3 725
Waste management	150	85	235	269	-	34	114%	179%			-	
Other	-	-	-	-	-	-	-	-			-	
Total Capital Expenditure - Standard	37 029	7 858	44 887	35 785	-	(9 101)	80%	97%	-	-	-	22 922
Funded by:												
National Government	18 889	1 930	20 819	19 036	-	(1 783)	91%	101%			-	20 042
Provincial Government	18 000	985	18 985	16 354	-	(2 631)	86%	91%			-	1 817
District Municipality	-	-	-	-	-	-	-	-			-	
Other transfers and grants	-	-	-	-	-	-	-	-			-	
Transfers recognised - capital	36 889	2 915	39 804	35 390	-	(4 415)	89%	96%			-	21 859
Public contributions & donations	-	-	-	-	-	-	-	-			-	
Borrowing	-	-	-	280	-	280	#DIV/0!	#DIV/0!			-	733
Internally generated funds	140	4 943	5 083	115	-	(4 967)	2%	82%			-	329
Total Capital Funding	37 029	7 858	44 887	35 785	-	(9 101)	80%	97%			-	22 922

EC107 Baviaans - Reconciliation of Table A7 Budgeted Cash Flows

Description	2013/14							2012/13
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	27 428	(5 079)	22 349	20 021	(2 328)	89.6%	73.0%	17 753
Government - operating	23 330	222	23 552	23 354	(198)	99.2%	100.1%	26 570
Government - capital	39 429	2 985	42 414	38 074	(4 340)	89.8%	96.6%	23 518
Interest	230	189	419	580	161	138.5%	252.4%	480
Dividends	—	—	—	—	—	—	—	—
Payments								
Suppliers and employees	(51 331)	3 192	(48 139)	(50 176)	(2 037)	104.2%	97.8%	(44 264)
Finance charges			—	(1 091)	(1 091)	#DIV/0!	#DIV/0!	(1 084)
Transfers and Grants			—	—	—	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES	39 085	1 509	40 595	30 762	(9 832)	75.8%	78.7%	22 973
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE			—	590	590	#DIV/0!	#DIV/0!	7
Decrease (Increase) in non-current debtors			—	—	—	—	—	—
Decrease (increase) other non-current receivables			—	—	—	—	—	—
Decrease (increase) in non-current investments			—	—	—	—	—	—
Payments								
Capital assets	(37 029)	(7 858)	(44 887)	(36 054)	8 833	80.3%	97.4%	(22 972)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(37 029)	(7 858)	(44 887)	(35 464)	9 423	79.0%	95.8%	(22 965)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			—	5 132	5 132	#DIV/0!	#DIV/0!	—
Borrowing long term/refinancing			—	—	—	—	—	—
Increase (decrease) in consumer deposits			—	—	—	—	—	—
Payments								
Repayment of borrowing	(740)	(381)	(1 121)	(258)	863	23.0%	34.8%	174
NET CASH FROM/(USED) FINANCING ACTIVITIES	(740)	(381)	(1 121)	4 874	5 995	-434.8%	-658.6%	174
NET INCREASE/ (DECREASE) IN CASH HELD	1 316	(6 730)	(5 413)	172				182
Cash/cash equivalents at the year begin:	299		299	299				117
Cash/cash equivalents at the year end:	1 616		(5 114)	472	5 586	-9.2%	29.2%	299